

## Message Text

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62

ORIGIN SS-25

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DRAFTED BY NEA/RA:DTMORRISON:JR

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H:RFLATEN

NEA:SSOBER

S/S-O:APSHANKLE

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA PRIORITY

INFO AMEMBASSY DAMASCUS

AMEMBASSY KUWAIT

AMEMBASSY TEL AVIV

C O N F I D E N T I A L STATE 025893

STADIS////////////////////////////////////

EXDIS

E.O. 11652: GDS

TAGS: OREP (ADLAI STEVENSON, D-ILL)

SUBJECT: CODEL STEVENSON: STEVENSON-WILLIAMS BILL

REF: STATE 20495

FOR AMBASSADOR PORTER FROM ASST SECY ATHERTON

KUWAIT PLEASE POUCH BAGHDAD

1. PER REFTEL SENATOR STEVENSON, WHO IS COSPONSOR OF  
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SENATE BILL OF WHICH TITLE I IS CITED AS FOREIGN BOYCOTTS ACT OF 1975 AND TITLE II IS CITED AS DOMESTIC AND FOREIGN INVESTMENT IMPROVED DISCLOSURE ACT OF 1975, PLANS VISIT TO SAUDI ARABIA FEB 11-15. VISIT, WHICH WILL PRECEDE CONSIDERATION OF STEVENSON-WILLIAMS BILL ON SENATE FLOOR, COULD PROVIDE USEFUL OCCASION FOR DISCUSSIONS BY SENATOR WITH EMBASSY AND WITH SAG CONCERNING LIKELY IMPACT OF SENATE PASSAGE OF BILL (OR ULTIMATE CONGRESSIONAL ENACTMENT) ON U.S. POLITICAL AND ECONOMIC RELATIONS WITH SAUDI ARABIA.

2. IT IS POSSIBLE THAT TRADITIONAL POLITENESS TO VISITING GUESTS MIGHT INHIBIT SAUDIS IN SPEAKING FRANKLY TO SENATOR ON HOW THEY VIEW (A) RECENT U.S. INITIATIVES ON BOYCOTT AND DISCRIMINATION ISSUES AND (B) POSSIBLE RESTRAINT ON SAUDI AND OTHER FOREIGN INVESTMENTS IN U.S.--SPECIFICALLY HOW THEY MIGHT VIEW THIS CONGRESSIONAL INITIATIVE DIRECTED AT BOYCOTT, DISCRIMINATION AND INVESTMENTS. SENATOR HAS BEEN ALERTED TO THIS POSSIBILITY BY FORMER AMBASSADOR AKINS WHO RECENTLY MET WITH HIM AT SENATOR'S INVITATION. I BELIEVE YOU SHOULD ENCOURAGE SAG OFFICIALS WITH WHOM SENATOR WILL BE MEETING TO ENGAGE IN FULL AND FRANK DISCUSSIONS OF THESE ISSUES.

3. I AM CONCERNED, APART FROM SPECIFIC PROBLEMS WE HAVE WITH PROPOSED BILL, THAT SUCH LEGISLATIVE ACTION AT THIS TIME MAY ACTUALLY HARDEN SAUDI POSITION AND SPOIL CHANCES OF OBTAINING SAG EASING OF BOYCOTT ENFORCEMENT AND VISA PRACTICES. THIS WOULD BE PARTICULARLY UNFORTUNATE SINCE THERE NOW APPEARS TO BE SOME MOVEMENT TOWARD ACCOMMODATION, ALBEIT STILL SLIGHT, IN OTHER COUNTRIES IN RESPONSE TO INITIATIVES RECENTLY TAKEN BY EXECUTIVE BRANCH. USG INITIATIVES (E.G., REPORTING REQUIREMENTS, ANTITRUST, FEDERAL RESERVE GUIDANCE) AND NEW YORK STATE LAW HAVE LEFT MANY U.S. FIRMS UNCERTAIN WHETHER THEY SHOULD OR LEGALLY ARE ABLE TO ENGAGE IN TRANSACTIONS WHICH IMPOSE ON THEM REQUIREMENTS TO TAKE POSITIVE ACTIONS WHICH CLEARLY ARE A PART OF BOYCOTT ENFORCEMENT (E.G., SUPPLY OF NEGATIVE CERTIFICATES OF ORIGIN). RESULT, WE BELIEVE, HAS BEEN STEPPED UP EFFORTS BY SOME U.S. FIRMS TO WORK OUT METHODS OF TRANSACTING BUSINESS WHICH WILL NOT INVOLVE FIRMS

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IN PROCESS OF BOYCOTT ENFORCEMENT ON BEHALF OF ARAB GOVERNMENTS OR BUYERS. ALTHOUGH RESULTS ARE NEITHER UNIFORM NOR WIDESPREAD, IT APPEARS THAT GRADUAL PROCESS OF MODIFICATION OF BOYCOTT PRACTICES HAS BEGUN IN SOME COUNTRIES/SECTORS (E.G., REPORT OF CHANGES IN EGYPTIAN LETTER OF CREDIT REQUIREMENTS; ABSENCE OF BOYCOTT LANGUAGE FROM NUMBER OF RECENT SYRIAN LETTERS OF CREDIT). ALTHOUGH

IT IS TOO EARLY TO DETERMINE WHETHER SIGNIFICANT GAINS WILL BE MADE OR TO ASSERT CAUSE AND EFFECT RELATIONSHIP RE ABOVE EXAMPLES, ACTION BY CONGRESS AT THIS TIME COULD TRIGGER BACKLASH AGAINST ACCOMMODATION OF CONFLICT-ING US AND ARAB-COUNTRY BOYCOTT POLICIES WHICH WOULD CAUSE SUBSTANTIAL SETBACK IN U.S.-ARAB RELATIONS. IF ACCOMMODATION DOES NOT OCCUR THROUGH RELIEF OF U.S. FIRMS FROM OBLIGATIONS TO ENFORCE BOYCOTT, LEGISLATION MAY BE PASSED GOING WELL BEYOND STEVENSON-WILLIAMS BILL IN RESTRICTING ABILITY OF U.S. FIRMS TO DO BUSINESS IN ARAB WORLD.

4. ALTHOUGH THERE ARE RISKS INVOLVED IN ENCOURAGING FRANK EXPOSITION OF SAUDI VIEWS ON THESE SUBJECTS, I AM INCLINED TO THINK THIS PREFERABLE TO ALTERNATIVE (I.E., AWAITING FAIT ACCOMPLI OF NEW LEGISLATION PASSED WITHOUT BENEFIT OF CONGRESS KNOWING LIKELY SAUDI REACTION). ANY INDICATION OF MODERATION ON PART OF SAG LEADERS COULD BE HELPFUL TO US IN EFFORTS TO PERSUADE CONGRESS THAT INITIATIVES TO DATE HAVE BEGUN PROCESS OF CHANGE WHICH COULD LESSEN IF NOT END DEMANDS ON U.S. FIRMS TO ACT AS AGENTS FOR BOYCOTT ENFORCEMENT (E.G., BY PROVIDING NEGATIVE CERTIFICATIONS OF ORIGIN) AND THAT LEGISLATION SEEKING TO FORCE CHANGES ON ARAB GOVERNMENTS WILL HAVE LIKELY EFFECT OF REVERSING NOT FURTHERING DESIRED PROCESS OF CHANGE.

5. DESCRIPTION OF STEVENSON-WILLIAMS BILL REPORTED SEPTEL. INGERSOLL

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\*\*\* Current Handling Restrictions \*\*\* STADIS

\*\*\* Current Classification \*\*\* CONFIDENTIAL

## Message Attributes

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**Decaption Note:** 25 YEAR REVIEW  
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